

SUBCOMMITTEE NO. 3

Agenda

Chair, Senator Denise Moreno Ducheny
Senator George C. Runner
Senator Tom Torlakson



Thursday, April 14, 2005
10:00 am
John L. Burton Hearing Room (4203)
Consultant, Anastasia Dodson

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Due to the volume of issues testimony will be limited. Please be direct and brief in your comments so that others may have the opportunity to testify. Written testimony is also welcome and appreciated. Thank you for your consideration.

Please Note: Only those items and issues contained in this agenda will be discussed at this hearing. Issues pertaining to these items may be reviewed again. Please see the Senate File for dates and times of subsequent hearings.

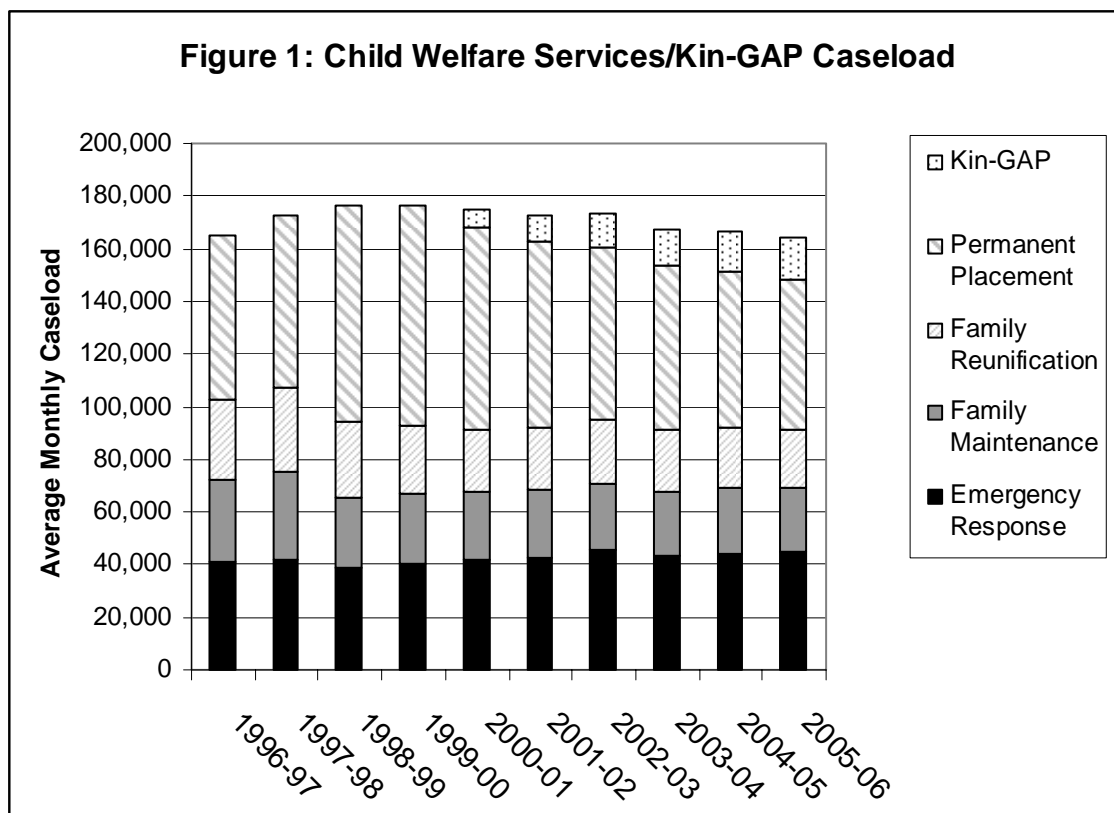
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5180 Department of Social Services (DSS)

Children and Family Services

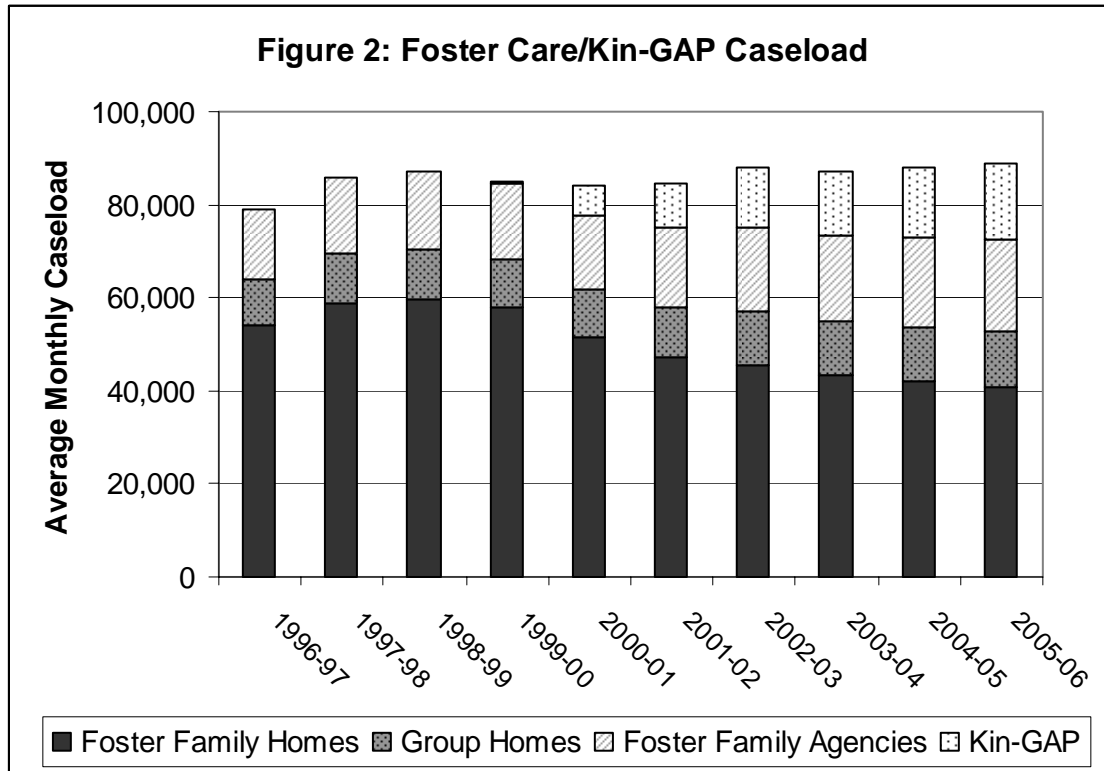
Children and Family Services includes a continuum of programs designed to protect children from abuse, neglect, and exploitation, strengthen families, deliver services to children in out-of-home care, and support the adoption of children with special needs. These programs are operated by county welfare departments, and funded jointly with federal, state, and county resources. The budget provides \$4.88 billion (\$1.45 billion General Fund) to support children and family services programs.

- 1) **Child Welfare Services (CWS).** This program encompasses a variety of services designed to protect children from abuse, neglect and exploitation. Services include Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement. Combined average monthly caseload for these programs is estimated to decline by 1.4 percent in the budget year, primarily due to an increase in Kin-GAP caseload, which reduces Permanent Placement services. Funding for CWS is anticipated to increase by 5.3 percent, to \$2.2 billion (\$645 million General Fund).



- 2) **Foster Care Program.** The state's Foster Care program provides support payments for children in out-of-home care, including foster homes, foster family agencies, residential treatment for seriously emotionally disturbed children and group homes. Average monthly Foster Care caseload is estimated to decrease by 0.2 percent, to 74,200 children. In recent years group home and foster family agency caseload has been gradually

increasing. Foster family homes caseload has been decreasing, primarily due to a shift to the Kin-GAP program. Nonetheless, California's Foster Care population represents approximately 20 percent of the national Foster Care caseload. Total Foster Care grants are expected to decrease by 2 percent, to \$1.7 billion (\$413 million General Fund).



- 3) **Kin-GAP Program.** The Kinship Guardianship Assistance Payment (Kin-GAP) program provides support to children in long-term stable placements with relatives. The projected average monthly caseload is 16,100 children, reflecting an increase of 7.7 percent. Funding for the program is anticipated to increase by a proportionate amount, to \$102.9 million. The Kin-GAP increase results in a decrease in Foster Family Home and Child Welfare Services – Permanency Planning.
- 4) **Adoption Assistance Program (AAP).** The AAP provides subsidies to promote permanent placement of children that are older, members of sibling groups, have disabilities, or are otherwise difficult to place. Budget year caseload is expected to be 71,000, an increase of 9.4 percent over current year. The budget proposes \$651.8 million (\$280 million General Fund) for this program, which represents a total funds increase of 12.5 percent.

DSS Issue 1: Child Welfare Services Social Worker Standards (SB 2030)

Description: There has been an ongoing effort in the Child Welfare Services (CWS) program to determine how many cases a social worker can carry and still effectively do his or her job. In 2000, the Child Welfare Services Workload Study required by Chapter 785, Statutes of 1998 (SB 2030, Costa) determined that those caseload standards were too high and that social workers had too many cases to effectively ensure the safety and well-being of California's children. The LAO recommends that the department report annually on progress made on reaching the SB 2030 CWS caseload standards.

Background:

- **Child Welfare Services Workload Study (SB 2030) Findings:** In 1998, the Department of Social Services commissioned the SB 2030 study of counties' caseloads. At the time, the study concluded that for most categories the caseloads per-worker were twice the recommended levels. According to the study, it was difficult for social workers to provide services or maintain meaningful contact with children and their families because of the number of cases they were expected to carry.

The report also found that the 1984 standards used by the state were based on outdated workload factors, and did not reflect any additional responsibilities that had been placed on social workers by the state and federal governments. These findings and the minimal and optimal social worker standards proposed by the report, have dominated budget discussions regarding staffing standards since the report's release. However, due to the state's budget shortfalls, the department has continued to use the 1984 workload standards, instead of the minimal and optimal standards, as the basis for allocating funds to counties for child welfare services staff.

- **LAO Analysis:** The LAO indicates that the continued use of the 1984 workload standard to determine the CWS "base line" funding amount, however, does not mean that the state has not improved social worker caseload staffing ratios. Several funding policies, and one estimating error, have moved California considerably closer to the SB 2030 standards and that gap continues to shrink every year.

The LAO indicates that when all funding sources are taken into account, the counties have approximately \$348 million in additional funding above what would be needed to support the 1984 social worker staffing levels. Based on this increase, Figure 3 compares projected staffing ratios in 2005-06 with the minimal standards assuming these funds are spent by program component in the same way as the basic funding.

Figure 3 Social Worker Caseloads Current Gap in Standards, by Component					
Staffing Ratios	Emergency Response Assessment	Emergency Response	Family Maintenance	Family Reunification	Permanent Placement
Minimal Standard	116.1	13.0	14.2	15.6	23.7
2005-06 Budget	232.2	10.2	23.1	17.5	32.6
Gap (-)/Surplus (+)	-116.1	2.8	-8.9	-1.9	-8.9

Specifically, Figure 3 shows the number of cases each social worker would carry in 2005-06 compared to the SB 2030 minimal standards. When the caseload level supported by the proposed funding level for 2005-06 exceeds the minimal SB 2030 standards, the LAO refers to the difference as a "gap." For example, the 2005-06 budget proposal assumes that caseworkers will carry 23.1 family maintenance cases, while the minimal standard calls for a lower caseload of 14.2 cases per social worker. Thus, there is a gap of 8.9 cases between the funded level and the SB 2030 minimal standards.

The LAO also notes that over the past several years, caseloads in CWS have steadily declined. If that decline continues, more funds will shift to the hold harmless adjustment. Such additional hold harmless funds will enable the counties to continue making progress toward the SB 2030 standards. However, should this trend change and caseloads begin to grow, the state will reverse direction and move closer to the 1984 workload standards.

LAO Recommendation: The LAO recommends that the department report annually on progress made on reaching the SB 2030 CWS caseload standards. This report should provide for each county the social worker staffing ratios compared to the Child Welfare Services Workload Study's (SB 2030) minimum and optimum caseload standards and the agreed upon 1984 standards. The methodology for measuring the individual county staffing ratios should take into account funding from the CWS augmentation, hold harmless funding, and any other funding that is used for social worker staffing.

California Welfare Directors Association (CWDA) Concerns: The CWDA indicates concern that the LAO analysis overstates the progress made towards meeting the recommended minimum workload standards in the program, and requests that the annual report by the department also reflect additional factors not identified by the SB 2030 study, including cost of doing business, unfunded or underfunded legislative mandates, and direct services.

Questions:

1. LAO, please present your proposal.

DSS Issue 2: AB 636 and CWS Reforms

Description: In response to concerns over the state's children and family services programs, three concurrent reform efforts have been initiated in recent years. These reform efforts include AB 636 (Steinberg), the Child Welfare Services Stakeholders Group Reforms, and the federal Child and Family Services Review. The Governor's Budget includes \$26.6 million (\$14.7 million General Fund) to expand the use of reforms identified by the CWS Stakeholders Group. The Administration has also requested \$370,000 (\$185,000 General Fund) in a spring finance letter to establish 4.0 new positions to work with counties and continue implementation of AB 636.

Background:

Over the past few years, major efforts have been underway across the state and in Washington, D.C. to improve the child welfare system. These efforts were initiated independently but share a common goal, improving services for children and families. They also share a new focus on outcomes – child safety, permanence, and well-being – rather than process. The three main reform efforts have been the state-driven Child Welfare Services Stakeholders Workgroup, the federal Child and Family Services Review, and the legislatively mandated Child and Welfare System Improvement and Accountability Act (AB 636, Steinberg, Statutes of 2001).

Child Welfare Services Stakeholders Group: In 2000, then-Governor Davis invited a broad group of stakeholders to review the state's child welfare system and make recommendations for improvement and change. This three-year effort concluded in September 2003, with a final report known as the Child Welfare Services Redesign. The group's vision of fundamental improvements to California's child welfare system included recommended program, practice and policy changes. The stakeholders suggested a greater focus on outcomes while also recommending that counties work with their community partners to create a comprehensive early intervention and response system for at-risk families.

Once the Child Welfare Services Stakeholders Group concluded, the state and county focus shifted to implementation. Eleven counties (Contra Costa, Glenn, Humboldt, Los Angeles, Sacramento, San Luis Obispo, San Mateo, Stanislaus, Tehama, Placer, and Trinity) were identified as the first group to implement key elements of the redesign report. These elements included:

1. **Standardized Safety Assessment System:** Ensuring that all counties use consistent procedures to determine if a child is safe when a situation is initially assessed and at future decision points.
2. **Differential Response:** Improving the child abuse hotline response system to better enable social workers to screen and refer families for community services.
3. **Improved Foster Youth Permanency:** Promoting permanent connections for youth and improved transitions to adulthood.

Each pilot county will implement a standardized safety assessment, use differential response in a targeted set of cases and test strategies for improving permanency in foster youth placements in a subset of cases. Once these pilots are in place, the 11 counties will begin to evaluate their effectiveness.

Federal Child and Family Services Review (CFSR): During this same period, the federal government launched a national Child and Family Service Review (CFSR). This formal review of state child welfare programs was conducted using specific benchmarks designed to assess achievement of child safety, permanency and well-being outcomes and to identify states' strengths, needs and technical assistance requirements. The first review of California's performance, conducted in September 2002, included visits to three counties, a review of 49 case files and interviews with state staff and various stakeholders.

Goal	Indicator	Federal Standard	State Initial Performance	UC Berkeley Data	State PIP Target	Recent Performance
Safety Outcomes	Recurrence of Maltreatment	6.1% or less	10.7%	10.9%	8.9%	8.7%
	Incidence of Child Abuse and/or Neglect in Foster Care	0.57 % or less	1.1%	N/A	0.53%	0.81%
Permanency Outcomes	Foster Care Re-entries	8.6 % or less	10.7%	9.3%	9.4%	10.5%
	Stability of Foster Care Placement	86.7 % or more	77.8%	82.9%	81.6%	85.8%
	Length of Time to Achieve Adoptions Goal	32% or more	18.0%	16.4%	20.9%	27.6%
	Length of Time to Achieve Reunification	76.2% or more	53.2%	53.7%	57.2%	63.4%

California, like every other state, was found to be out of compliance on a number of federal measures. Due to the state's performance on the federal measures, the state was required to develop a federal Performance Improvement Plan (PIP). Many of the strategies recommended in the Stakeholders Redesign report were incorporated into California's PIP. California's progress is measured quarterly, with full reviews performed every three years. Federal fiscal penalties may be applied if California does not show adequate improvement toward the federal benchmarks.

AB 636, California Child Welfare System Improvement and Accountability Act: In 2001, the Legislature passed the Child and Family Welfare System Improvement and Accountability Act (AB 636, Steinberg) to replace the state's process-driven county compliance review system with a new system focused on results for children and families. Using the federal CFSR standards as a starting point, AB 636 established a framework for measuring county performance and monitoring improvement in ensuring the safety, permanence, and well-being of children. However, AB 636 also added outcome measures and requirements that were important to California.

Starting in January 2004, counties began engaging their communities in examining performance and developing specific plans for system improvement. In this initial self-assessment phase, counties examined their strengths, service gaps and needs based on the outcome measure data. Each county prepared and submitted a self-improvement plan to the department and began implementing new practices and policies designed to improve their performance. The system is structured as an ongoing quality improvement program, with each county monitoring its quarterly performance data and adjusting its approach accordingly.

The next phase is for all counties to participate in peer quality case reviews focused on areas needing improvement. In these focused reviews, neighboring counties will partner with the department to review a random sample of cases and interview social workers to generate qualitative in-depth analysis of case results while promoting best-practice sharing among counties.

Cohesive Child Welfare Improvement Strategy: Despite the separate origins of these three efforts, states and counties have worked to shape them into one overall improvement strategy. AB 636 is the foundation for this strategy, with each county continually examining its performance and developing strategies with its community to improve services to families. At the same time, the 11 pilot counties will be testing the three key strategies envisioned by the Child Welfare Services Stakeholder Workgroup. These efforts will provide essential information for each county and the state and will help inform future efforts to improve services to at-risk families. Both the implementation of key strategies in the 11 pilot counties and the county-based AB 636 activities are incorporated into California's Program Improvement Plan (PIP) designed to improve performance statewide and avoid federal penalties.

- **Governor's Budget Funding for CWS Reforms:** The Governor's Budget includes \$26.6 million (\$14.7 million General Fund) to expand the use of Differential Response, the California Standardized Safety Assessment System, and enhanced permanency and youth transition standards. Eleven counties currently use these tools to improve safety and child well-being outcomes. This funding would expand this program to eleven additional counties. The department has met with counties and legislative staff regarding the timing and rollout of the second cohort of counties participating in the pilots, and may adjust the budget proposal based upon the feedback it receives. Note that the Governor's Budget also reflects a reduction of \$18.9 million to reflect reduced federal grant funds for the Promoting Safe and Stable Families (PSSF) program, which previously funded the CWS Reforms described above, so the net funding increase is \$7.7 million total funds.
- **AB 636 Spring Finance Letter:** The Administration has proposed a Spring Finance Letter to establish 4.0 new positions at a cost of \$370,000 (\$185,000 General Fund) to monitor and improve county compliance with AB 636. The department indicates that existing positions in the Children's Services Operations Bureau are assigned to mandated procedural measurements and assessments.

The additional positions would work with counties to 1) provide timely feedback to counties on their Self Assessment Plans (SIPs), 2) provide timely comment and analysis to counties

on correcting deficiencies identified through the ongoing monitoring of performance data, 3) respond quickly and effectively to unanticipated problems requiring special reviews in counties, and 4) effectively monitor specific programmatic changes identified by the counties in their SIPs to improve outcome areas that fall below established federal compliance levels.

Questions:

- 1 DSS, please describe the status of the CWS Reforms, and the potential expansion of those reforms to additional counties.
- 2 DSS, please describe the implementation status of AB 636, and present the request for additional positions to monitor and improve county compliance with this legislation.

Recommendation: Approve the Spring Finance Letter to establish 4.0 additional positions to continue implementation of AB 636.

DSS Issue 3: CWS Penalty Pass-Through

Description: The Governor's Budget proposes legislation to allow the state to pass on to counties penalties associated with California being out of compliance with federal or state law regarding CWS.

Background:

The federal government reviews each state's child welfare system on a tri-annual basis. As discussed in Issue 2 above, in California's first Child and Family Service Review (CFSR), the state failed in twelve of the fourteen outcome measures. Fiscal penalties of \$18.2 million have been held in abeyance pending completion of the state's federally required Program Improvement Plan (PIP) in June 2005.

- **Administration's Proposal:** The department indicates there is currently no statutory authority for the State to share fiscal penalties that may result from federal review, audit, or court order relating to child welfare services, regardless of the circumstances leading to the penalty. The department indicates that the proposed statutory changes would authorize the state to pass on fiscal sanctions to counties resulting from their non-compliance with federal or state law governing child welfare services. With statutory authority, the department would enact regulations (with public comment) and prospectively implement those provisions.

The department indicates that the proposed language would not require the automatic pass-on of penalties, but instead would give the department the authority to take this action, after allowing affected counties the opportunity to correct the identified program deficiency. An affected county would also be able to request a hearing before the Director of CDSS prior to any penalty being passed on. The proposed language would be similar to the authority that exists in other program areas.

The department further indicates that the proposed language is not specifically targeted to address the federal CFSR or the State's compliance with the associated PIP. It is intentionally written broadly to be applicable to any type of potential penalty, and to allow the specifics to be fully discussed with stakeholders and addressed in regulations.

Finally, the department indicates that the existence of this language would in no way affect the department's effort to work with counties to avoid program penalties, or to contest those that are imposed. However, it would permit the department, when these efforts have failed, to consider the circumstances leading to the penalty and take steps to pass it on when appropriate.

- **County Concerns:** County representatives and the California Welfare Directors Association (CWDA) indicate that this proposal would be detrimental to the good faith efforts of counties to implement major improvements in child welfare programs, and would endanger services to children and families in the child welfare service system.

Counties are concerned that they could be penalized for noncompliance with the PIP, which was negotiated by the state, not the counties. Furthermore, the state entered into the PIP without committing additional resources to enable counties to implement the plan. Counties note that penalties would reduce the resources available to counties to achieve program improvements and effectively serve children and families.

The CWDA also notes that potential federal CFSR penalties are based on systemic outcomes for children, and these outcomes are affected by the state's educational, mental health, judicial, law enforcement, and child welfare systems. However, the proposed language would hold county child welfare services accountable for the outcome of all of the other community systems that affect children.

The CWDA indicates that since implementation of AB 636, counties have undertaken major efforts to improve performance in local child welfare programs. For example, county child welfare agencies have completed extensive self-assessments, including a review of quarterly data on child outcomes, engaged stakeholders in identifying strengths and areas needing improvement, and developed local System Improvement Plans (SIPs) which outline specific activities to be undertaken to improve performance.

The CWDA indicates that although counties welcomed this new accountability process and are committed to improving outcomes for children, counties received no additional funding to support staff resources needed to comply with this new accountability system, nor to implement systemic improvements in local child welfare programs. This is compounded by the fact that the federal child welfare financing structure is obsolete and fails to support "best practices" that would help counties achieve these desired outcomes.

Finally, the CWDA indicates that AB 636 is designed to improve child welfare outcomes which, in turn, will help the State to meet its Program Improvement Plan. Passing federal fiscal penalties onto counties jeopardizes local efforts to implement system improvements.

Questions:

1. DSS, please present the proposed trailer bill language.

Recommendation: Due to the need to maintain a collaborative relationship between the state and counties and continue the CWS improvements currently underway, and to prevent the reduction of resources for county child welfare services, staff recommends that the proposed trailer bill language be rejected.

DSS Issue 4: Group Home Rates

Description: Foster Care group home rates have been increased in only four of the last fourteen years. Although the Consumer Price Index has increased by over 52 percent since 1990-91, group home rates have increased by 27 percent in that time. Group home providers have requested a rate increase in 2005-06, continuance of existing rate relief provisions that mitigate some of the effects of increased costs of doing business, and simplification of the Rate Classification Levels for group homes.

Background: The Legislature adopted group home rate relief provisions in 2002-03, 2003-04, and 2004-05. These provisions allowed facilities more flexibility in the Rate Classification Levels, but do not result in additional General Fund costs. Group home providers have requested continuance of these rate relief provisions in 2005-06.

Questions:

1. DSS, please briefly describe current reimbursement rates for group homes.

Recommendation: Approve placeholder trailer bill language to continue group home rate relief in 2005-06.

DSS Issue 5: Transitional Housing Placement Program (THPP) for Foster Youth and THP-Plus

Description: The budget includes \$2.7 million for transitional housing for foster youth aged 16 to 18 (Transitional Housing Placement Program – THPP), and \$3.4 million for transitional housing for foster youth aged 18 to 21 (THP-Plus). These programs reduce homelessness, unemployment, and incarceration among foster youth by providing access to transitional housing when they age out of Foster Care. The Campaign for Safe Transitions has requested that the Subcommittee consider an augmentation of \$250,000 for transitional housing services for pregnant and parenting foster youth.

Background: Each year, approximately 5,000 youth emancipate from the foster care system in California; many leave without the resources, skills or abilities to find safe housing and support.

These youth are at a critical juncture and may become homeless, out of school, unemployed, and receive CalWORKs or, with housing and other support, become healthy and productive citizens.

The Campaign for Safe Transitions indicates the following:

- Nearly a third of foster youth will become homeless at some time within the first year after they leave the system at age 18 and 65% of California youth graduating from foster care in 2000-2001, were in need of safe and affordable housing at the time of graduation.
- Fewer than 10% of foster youth enroll in college and only 1% actually graduate.
- Unemployment rates for emancipated youth are estimated at 50%.
- Emancipated foster youth earn an average of \$6,000 per year.
- About one fourth of former foster youth will be incarcerated within the first two years after they leave the system and approximately one third of former foster youth will be on public assistance shortly after aging out of the system.
- It is estimated that 10% of the young women emancipating from foster care in California are parents and that existing services for teen mothers are inadequate.
- 67% of females emancipated from the child welfare system in California had at least one birth within five years of leaving care.
- 40% of emancipated foster youth with one child reported having special needs due to pregnancy or parenting which interfered with independent living.

The two components of Transitional Housing Program are authorized by: (1) AB 427 (Hertzberg), which established THP, and (2) AB 1119 (Migden), which established the Transitional Housing Program Plus (THP-Plus). AB 427 reflects the one-time funding for the THP, which was deposited into the Transitional Housing for Foster Youth Fund, and is available until fully expended. The program currently provides transitional housing placement services to foster youth aged 16 to 18 years old. AB 1119 (THP-Plus) serves youth 18 to 21 and funding is subject to Budget Act appropriation. During the past several fiscal years, budgeted amounts have not been fully expended. These programs require a 60 percent county share-of-cost for nonfederal costs.

The Governor's Budget reduces the current year appropriation for the THP-Plus program (AB 1119) to make it consistent with the previous year's expenditure level adjusted for caseload growth, resulting in savings of \$1 million General Fund in 2004-05. Of this amount, \$68,000 meets the criteria for reduction per Control Section 4.10. In 2005-06, the appropriation for AB 1119 will return to \$1.4 million, and the department will work with the counties to ensure that this level of funding is fully expended. The Governor's Budget does not propose any reductions to the one-time funding for the THPP (AB 427).

Questions:

1. DSS, please describe the status of funding for transitional housing for foster youth in the current year and budget year.

DSS Issue 6: Adoption Assistance Program (AAP) Technical Assistance

Description: The Adoption Assistance Program (AAP) provides grants and benefits to parents who adopt “difficult to place” children. These benefits are intended to help defray costs associated with children’s special needs. Concerns have been raised that AAP benefits are being provided inconsistently throughout the state. Sierra Adoption Services requests the establishment of an AAP Training and Technical Assistance Program, which it indicates would: 1) increase adoptions of special needs children, 2) assure compliance with applicable state and federal laws, and 3) meet the federal PIP requirements to provide AAP training.

Background:

- **Programmatic Need:** Sierra Adoption Services indicates that approximately 84,000 California children currently live in foster care as a result of abuse and/or neglect, and 68,000 are in the permanency case service component, signifying that they are not expected to reunify with their parents. These children will grow up in foster care unless they are adopted. As discussed in Issue 5 above, children who grow up in foster care are significantly at risk for adverse outcomes as adults. Repeated moves through the foster care system increase poor outcomes and decrease positive outcomes. Early permanence provides the stability that promotes positive outcomes for children in foster care.

Sierra Adoption Services indicates that adequate AAP training is essential to assure that grant levels are appropriate to meet the needs of the foster child outside of the child welfare system while staying within the mandates of state and federal law.

Sierra Adoption Services indicates that the need for training has been exacerbated by county responses to the *Mark A v. Davis* court settlement, which eliminated state regulations that were found to provide a means test for AAP. Sierra indicates that many county workers are unsure of how to reach the appropriate grant level, both due to a concern that the child’s needs be met, and concern of further lawsuits. In some cases deferral of AAP benefits until a future date has been refused.

- **Funding Request:** Sierra Adoption Services has requested that the Subcommittee consider establishment of an AAP Training and Technical Assistance Program, funded by \$100,000 General Fund, and matched with federal Title IV-E funds. Sierra indicates that offsetting cost savings will be drawn from three sources: a slight reduction in average grants for new children entering the AAP system, an increase in the number of children adopted, and a reduction of administrative costs including the annual foster care clothing allowance of \$100 per child.

Questions:

1. DSS, what AAP training resources are currently available for counties?

**DSS Issue 7: Child Welfare Services/Case Management System (CWS/CMS)
Go Forward Plan**

Description: The CWS/CMS provides database, case management, and reporting functions for the Child Welfare System. The budget provides \$121.1 million (\$60.1 million General Fund) for maintenance of the existing system and other newly required activities needed to maintain federal matching funds for this system. These activities, known as the Go Forward Plan, include a Technical Architectural Alternative Analysis (TAAA), migration of the application hosting to the proposed Department of Technology Services (DTS) from a private vendor location (see Issue 9 below), and other activities to determine if or how the CWS/CMS should be changed to meet federal standards. Budget year funding represents an increase of \$27.7 million (\$13.9 million General Fund). The TAAA report, submitted April 1, 2005, recommends that the state develop a new web-services based system to replace CWS/CMS.

Background:

- **CWS/CMS Funding Increase:** The Governor's Budget proposes an increase of \$27.7 million (\$13.9 million General Fund) for CWS/CMS in 2005-06. The majority of these costs are attributable to: (1) Go Forward Plan costs for parallel processing that must take place at both the State and IBM data centers during the cutover and testing period to transfer the CWS/CMS application from IBM to the state data center; (2) Go Forward Plan costs for the estimated cost of IBM transition support and; (3) maintenance and operations costs to replace/upgrade counties' equipment and software.
- **CWS/CMS Positions Increase:** The Governor's Budget proposes 29.5 additional positions for CWS/CMS in 2005-06 above the 2004 Budget Act. Of these positions, 25.0 were established during the current year under provisional authority provided by the Legislature to implement the Go Forward Plan. The Governor's Budget also proposes to convert 5.0 existing limited-term positions to permanent in the Health and Human Services Data Center (HHSDC) Office of System Integration for ongoing CWS/CMS maintenance and operations.

Department	Project	Existing Positions	2005/06 Request
DSS	Maintenance & Operations	12.2	0
HHSDC/Office of System Integration	Maintenance & Operations	58.5**	3.0
DSS	Go Forward Plan	0	1.5
HHSDC/Office of System Integration	Go Forward Plan	5.0***	****
HHSDC/Department of Technology Services	Go Forward Plan	20.0***	****

**5.0 existing positions are limited term and the M&O SPI requests the positions to be permanent.

***Provision 5 approved by the Legislature on December 20, 2004.

****Technical SPI/BCP to establish Provision 5 positions.

LAO Description of the CWS/CMS “Go Forward” Plan:

The budget proposes \$48.8 million (\$24.4 million General Fund) for the CWS/CMS Go Forward Plan. The CWS/CMS provides a statewide database, case management tools, and a reporting system for the state's CWS program. The system has been in operation for eight years and is currently maintained and operated by an independent contractor for about \$72 million annually. These annual CWS/CMS maintenance and operations costs are funded separately from the Go Forward plan.

- CWS/CMS Federal Funding Background.** In 1993, the federal government offered funding to any state that agreed to develop a Statewide Automated Child Welfare Information System (SACWIS). A SACWIS system performs certain functions such as processing child abuse investigations and preparing foster care case plans. If a state chose to develop such a system, then the federal government provided "incentive funding" at 75 percent of total costs for the first three years of the project's development and then 50 percent for the subsequent years. In 1994, California received federal approval to develop CWS/CMS as SACWIS-compliant. In 1997, the state announced the completion of the CWS/CMS system when it became operational in all counties.
- Federal Government Expresses Concerns About CWS/CMS.** The federal government, however, did not consider CWS/CMS complete because the system did not meet all the SACWIS requirements. Starting in 1999, the federal government raised concerns about

the inability of the CWS/CMS system to meet SACWIS requirements. In June 2003, the federal government notified the state that it did not consider CWS/CMS to meet SACWIS requirements. As a result of that decision, the federal government reduced its share of funding for CWS/CMS from roughly 50 percent to 30 percent. In addition, the federal government notified the state that it would not provide *any* federal funding for the current contract after August 2005.

- **Go Forward Plan Is State's Strategy to Address Federal Concerns.** Starting in March 2004, the administration began developing a strategy to address the federal government's concerns about achieving SACWIS compliance. In August 2004, the administration provided its SACWIS compliance strategy—the Go Forward Plan—to the federal government. The total costs for the Go Forward Plan are currently estimated to be \$82 million (all funds) over four years. The plan consists of three components:
 - Conducting a Technical Architecture Alternatives Analysis (TAAA) to determine the costs and benefits of achieving SACWIS compliance versus non-SACWIS compliance.
 - Developing a Request for Proposal for a contractor to maintain the CWS/CMS software.
 - Transferring the CWS/CMS hardware from the current contractor's site to DTS.

In October 2004, the federal government approved the CWS/CMS Go Forward Plan and restored SACWIS funding to the project. In addition, the federal government retroactively provided SACWIS funding for July 2003 to September 2004.

TAAA Report: This report, submitted to the Legislature on April 1, 2004, identified a number of unmet business needs of the Child Welfare Services program, which are consistent with federal SACWIS requirements. The report indicates that CWS/CMS is perceived as cumbersome by social workers and does not support services delivery practices in an efficient and effective manner. In fact many social workers report that current system limitations inhibit the amount of time they can spend in the field serving children, their families, and communities. The report quotes a county case worker as saying, “We can make the system work, but it should work for us.”

The report evaluated three alternatives to address those needs and requirements. The department indicates that making no changes to the system was not an alternative because it did not meet the business needs of the counties and could result in a major loss of federal funding.

- **Alternative 1:** Continue with the current CWS/CMS technical architecture, adding functionality as needed.
- **Alternative 2:** Evolve the current CWS/CMS technical architecture to a web services-based technical architecture over time.

- **Alternative 3:** Continue maintenance and operations of the current CWS/CMS while simultaneously building a new SACWIS application using a web services based technical architecture.

TAAA Recommendation: The TAAA report recommends Alternative 3, and indicates that it provides the best implementation of the business and technical criteria with primary differentiating factors being the ease of overall maintenance and support; ease of supporting functional changes through an integrated, flexible, and extendable architecture; and openness of the architecture. Alternative 3 was also ranked best in time (36 months to implement) and best cost option (ten year cost of \$1.17 billion total funds). Detracting factors include one-time development costs that are higher than Alternative 1 (\$120 million for Alternative 1 vs. \$136 million for Alternative 3).

Questions:

1. LAO, please describe events leading up to and need for the CWS/CMS Go Forward plan.
2. HHSDC/DSS, please present the proposed new positions and funding for existing CWS/CMS operations and for the CWS/CMS Go Forward Plan.
3. HHSDC/DSS, please present the TAAA report, and the report's recommendation. What are the next steps?

Recommendation: Approve the requested positions, but establish the 5.0 HHSDC Office of System Integration positions and 1.5 DSS positions as two-year limited-term positions, rather than permanent, as the Go Forward activities are one-time efforts.

DSS Issue 8: CWS/CMS Application Hosting Move and System Performance

Description: The budget requests 20.0 positions and \$2.0 million to reflect the transfer of the CWS/CMS application from Colorado to the newly-proposed state Department of Technology Services ("DTS," formerly the Health and Human Services Data Center [HHSDC]), located in Sacramento. This transfer is part of the CWS/CMS Go Forward plan described above. The County Welfare Directors Association has requested that CWS/CMS performance commitments be established to ensure system reliability during and after the transition to DTS. The transfer to DTS is scheduled to be completed by January 2006.

Background

IBM currently provides both maintenance of the CWS/CMS application, and hosting at its Boulder, Colorado facility. The transfer of the application hosting to a state facility is part of the CWS/CMS Go Forward plan described in Issue 8 above, and is intended to improve the competitive bidding process for the upcoming CWS/CMS maintenance contract reprocurement. The Administration indicates that current year application hosting costs are \$68.5 million, and that moving the CWS/CMS application to the DTS may result in annual savings of \$4 million, as

the DTS hosting costs are less than the IBM hosting costs. However, these savings would not be achieved in 2005-06, as there will be additional one-time costs for transition services and for parallel processing costs which may exceed or eliminate any potential savings in 2005-06.

The County Welfare Directors Association (CWDA) indicates that the current contract with IBM calls for the vendor to meet specified "Service Level Agreements" and specifies financial penalties to be paid to the state when those service levels are not met. The Administration indicates that new service level agreements are currently being negotiated with IBM for the application maintenance and with DTS for the application hosting.

The CWDA indicates that separating application maintenance from application hosting presents new challenges in ensuring that system performance meets state and county needs. Once these functions are separated into two distinct agreements, there will no longer be an overarching standard for the system's performance. County social workers rely on this system 24 hours a day every day to assess the safety of children and determine the best course of action. A deterioration in the system's performance could potentially affect the safety of children.

CWDA Requested Resolution: The CWDA requests that a set of overarching CWS/CMS system performance commitments be developed, implemented, managed, and overseen by the DSS and DTS in conjunction with representatives from the CWDA. The standards would include items such as system availability, application transaction time, and performance standards, and customer service satisfaction. The commitments would include a mechanism for tracking performance, identifying incidents of performance that do not meet standard, corrective action protocols, and steps that will be taken should performance fall below standard for a specified period of time.

Questions:

1. HHSDC/DSS, which organization or entity will be accountable for meeting overall system performance standards for CWS/CMS when application hosting is shifted to DTS? Who is accountable for ensuring that the application hosting transition is completed properly and in a timely manner?

Recommendation: Adopt placeholder trailer bill language requiring the establishment of performance standards for both the CWS/CMS application maintenance and hosting.

DSS Issue 9: In-Home Supportive Services (IHSS) Quality Assurance

Description: The Governor's Budget reflects \$185.6 million (\$82.7 million General Fund) in net savings in 2005-06 for In-Home Supportive Services (IHSS) Quality Assurance activities. The 2004 Budget Act established a range of IHSS Quality Assurance activities, which are currently being implemented by the department through a number of workgroups. Current year net savings are estimated at \$17.8 million (\$3.0 General Fund), which is \$23.1 million (\$7.3 million General Fund) less than the amount anticipated in the 2004 Budget Act. The budget also indicates that the department will release a Request for Proposal in 2005-06 to procure an IHSS worker telephone tracking system.

Background:

IHSS Quality Assurance Adopted in 2004 Budget Act: The 2004-05 budget included 18.0 department positions and \$21.1 million in county administration funding to implement a range of Quality Assurance efforts. In accordance with the 2004-05 budget trailer bill language for Quality Assurance, the department has been convening stakeholder and workgroup meetings.

- **Assessments:**
 - Uniform assessment and reassessment procedures, and a uniform range of services for IHSS consumers.
 - Statewide hourly task guidelines and instructions to provide counties with a standard tool for consistently and accurately assessing service needs and authorizing service hours.
 - Standard form on which to obtain certification by a medical professional of a person's need for protective supervision.
- **County Training:** The department must provide ongoing training for county staff on the uniform assessment, range of services, hourly task guidelines, and forms described above. The department recently awarded a contract to California State University at Sacramento to perform this training, which will begin in July 2005.
- **County Quality Assurance Units:** Each county must establish a dedicated, specialized unit or function to ensure IHSS quality assurance. To date 16 counties have established Quality Assurance units.
- **Statewide Monitoring and Support:** The department received resources for monitoring and supporting county activities.
- **Error/Fraud Prevention and Detection:**
 - An error rate study to estimate the extent of payment and service authorization errors and fraud in the provision of supportive services.
 - Periodic written notices to providers that remind them of their legal obligations to submit accurate timesheets.
 - Automated data matches to compare Medi-Cal and IHSS claims.

IHSS Federal Independence Plus Waiver: Some of the provisions of the Quality Assurance program were required as a condition of the federal Independence Plus waiver that the state received in July 2004. That waiver authorized matching federal funds for a significant portion of the IHSS program that previously did not receive any federal funding. Although the waiver was approved in 2004, counties and the state will not receive federal reimbursements for the current year until June 2005.

Implementation Delayed: Implementation of this initiative has been delayed by two months, to December 2004, due to delays in hiring staff. These delays have resulted in reduced current year savings, compared to the amount anticipated in the 2004 Budget Act. However, workgroups to develop Quality Assurance forms, regulations, and training are currently underway, and the department indicates that all of the regulations to implement the required activities will be completed by the statutory deadlines.

Implementation Accomplishments: The department notes that to remain within the deadlines established in SB 1104 (the 2004-05 budget trailer bill), similar activities have been combined into six main workgroups with subcommittees to be assigned within each workgroup. The workgroups are as follows:

1. Regulations development
2. Social Worker Training
3. State/County Quality Assurance Process
4. Hourly Task Guidelines
5. Forms Development (Standard Protective Supervision and Provider Enrollment form)
6. Fraud/Data Evaluation: Processes for overpayment or fraud reporting, data match development and discrepancies, error rate study, verification of services, etc.

Workgroup meetings in 2004-05 include:

- **CWDA and Stakeholder Meetings:**
 - CWDA: Initial meeting 9/22/04
 - Stakeholders: Initial meeting 10/18/04, second meeting 1/25/05, next meeting 4/22/05.
- **February Workgroups:**
 - Regulation Development: Initial meeting 2/3/05. Three components (QA emergency regulations, Waiver regulations, and overall IHSS regulations). The Variable Assessment interval issue included in this workgroup as part of QA emergency regulations with due date of 9/30/05.
 - Social Worker Training: Initial meeting held 2/10/05. Provide overall focus to group. Presentation by two competing vendors.
 - State/County QA Process: Initial meeting held 2/15/05. Provide overall focus to group. Sub-committees to report back on review of existing QA field data.
 - Hourly Task Guidelines: Initial meeting held 2/22/05. Provide overall focus to group. Discuss options and review existing data.

- **March Workgroups:**

- Regulation Development: Next scheduled for 4/15/05.
- Social Worker Training: Held 3/16/05. Ca. State University-Sacramento (CSUS) announced as winning vendor. Expectation that statewide training will begin in July 2005. Next meeting scheduled for 6/28/05 for Workgroup to review CSUS curriculum.
- State/County QA Process: Held 3/8/05. Broke into workgroups to discuss three separate areas (ID and prioritization of State/County QA roles, Emergency Regulation package and IHSS Plus Waiver requirements).
- Hourly Task Guidelines: Held 3/22/05. Continued review of service areas and specific elements within those areas.
- Forms Development (Protect. Supervision and Provider Enrollment): Initial meeting held 3/25/05. Defined specific areas needing to be addressed as required by SB 1104.
- Fraud/Data Evaluation Areas: Initial meeting scheduled for 4/7/05.

- **April Workgroups:**

- Fraud/Data Evaluation Areas: Initial meeting held 4/7/05. Approx. 80 stakeholders in attendance.
- State/County QA Process: Next meeting scheduled for 4/12/05.
- Regulation Development: Next scheduled for 4/15/05.
- Hourly Task Guidelines: Next meeting scheduled for 4/26/05.
- Forms Development (Protect. Supervision and Provider Enrollment): Next meeting scheduled for 4/29/05.
- Social Worker Training: Next meeting scheduled for 6/28/05 for Workgroup to review CSUS curriculum.

Telephone System RFP: The budget also indicates that the department will release a Request for Proposal in 2005-06 to procure an IHSS worker telephone tracking system. This system would be developed in 2006-07 and implemented in each county to minimize fraud and abuse.

Questions:

1. DSS, please briefly describe the status of Quality Assurance efforts, including a brief summary of what has been accomplished in the workgroups thus far. When will county training begin?
2. DSS, what eligibility process changes will result from the federal IHSS Plus waiver?
3. DSS, please describe the telephone tracking system proposal. Is this proposal expected to result in future year savings?

Recommendation: Request that the department report back to the Subcommittee at May Revision on the status of Quality Assurance implementation and workgroup outcomes.